



CALPEEK

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DOES CALIF. NEED A SOLID BUDGET RESERVE TO HEAD OFF 'BOOM-BUST' SITUATIONS IN FUTURE?

Editor's note: Last week *Calpeek* looked at GOP efforts to revise the 1979 Gann Spending Limit Law (now called the *State Appropriations Limit* or SAL by bureaucrats). This week we'll take a look at another concept to help Calif. survive these *boom & bust* economic cycles: a budget reserve. Here's our update & analysis...

...The GOP's main gripe during the debate over the current \$98.9 billion budget is that the red ink totaling \$23.6 billion got that way because of excessive spending by Gov. Gray Davis and the Demo controlled State Legislature. To fix the problem, some GOPers have offered constitutional amendments to revise the SAL by eliminating many of the exemptions to the SAL. The Demos and Gov. Davis contend that the budget deficit is caused primarily by a huge decline in revenue from high-end taxpayers. These wealthy individuals make up only 5% of Calif. taxpayers, but contribute 70% of all the revenue...

...Rather than revising the spending limit, some Demos are discussing a constitutional amendment to annually fund a reserve at around 5% of the general fund. A number of States have reserves or what some call "a rainy day fund" to cover budgetary emergencies or to avoid "boom-bust" economic fluctuations...

...When Prop. 98 (educational funding) was written in 1988, part of the language said there should be a "prudent reserve." The only problem is that the 98 language did not mention a specific percentage or amount for a reserve. The idea of a "prudent reserve" was taken from former Gov. George Deukmejian(R). According to sources, each budget year The Duke would fund the reserves at about \$1-2 billion, which amounted to 4-6% of the general fund...

...Is there a current reserve? No, not this year, but in previous years Gov. Davis did set aside a "prudent reserve." It was large enough (3-4% of the general fund two years in a row) to allow for a ¼ cent drop in the state sale tax last year. But once the reserve drops below 3%, the sales tax

automatically floats back up, as it has this year...

...How would a budget reserve system be set up? Here are some general guidelines: 1) If the reserve is set at 5% of the general fund, the reserve itself should be exempt from the SAL and from Prop. 98 calculations. 2) Funding levels for the reserve must be set (at what amount shall the reserve be funded each year); and 3) Here are the conditions for spending from the reserve: for extraordinary needs, on a one-time basis, for a major public benefit and under a free standing appropriations bill with the Governor's declaration. Additionally, any constitutional amendment must deal with the raising and lowering of the sales tax. Some suggest revenue from the higher sales tax could be placed into the budget reserve until the reserve is fully funded at a given level – say \$5 billion. Once the reserve is fully funded, then the sales tax could be cut...

...Regardless, most sources believe the discussion for a budget reserve will get a public airing in the State Senate sometime soon. If the GOP and Demos can get together on this concept, Calif. may not find itself in this same situation again. Stay tuned...

PUBLIC FUNDING OF SPORTS FACILITIES IS A HUGE BIDDING WAR POSSIBLE BETWEEN SAN DIEGO AND L.A. OVER A NEW FOOTBALL STADIUM?

Editor's note: We haven't done a story about the general subject of public funding of sports facilities in some time. But with a new proposal for the City of L.A. to float some \$100 million in bonds to help bring NFL football back to L.A., it's time to revisit this subject. Here's our analysis and commentary...

...What good is a new \$450 million stadium without a team? And here's where this new stadium deal for L.A. gets very, very sticky. Seems that the San Diego Chargers, with encouragement from the NFL, may be trying to squeeze a new, publicly-funded football stadium from the City of San Diego. And if the *Chargers* don't get what they want, they'll move to L.A. At least that's been the buzz in San Diego. Attorney Mike Aguirre, who pumped \$400,000 of his own funds into

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an unsuccessful run for DA this past March, has filed a legal action to stop the city from what he says are "secret" meetings with the *Chargers*. What's more, Aguirre says that San Diego Mayor Dick Murphy is not standing up to the NFL. FYI: Murphy has assembled a team of city hall staffers and private citizens to meet with the *Charger* management to see what it will take to keep the team in San Diego...

... For those who have forgotten, in 1997 the City of San Diego forked over \$60 million + \$18 million from Qualcomm to remodel and expand *Jack Murphy Stadium* (now called *Qualcomm Stadium*). It was a great deal for the *Chargers*. The city guarantees 60,000 tickets at every game. If the stadium isn't sold out, the city makes up the difference. And part of the deal (where there was no public vote), is that the *Chargers* agree to stay put until 2020. However, there is an escape clause: if by 2003 the team has financial trouble, it can shop for a new city – but San Diego can match any offer...

... This would seem to suggest that stadium developers Ed Roski Jr., Casey Wasserman, and Tim Leiweke + supermarket billionaire Ron Burkle (as well as Anschutz Entertainment) might have a good shot to bring the *Chargers* to L.A. But does it mean that the Spanos family would sell the franchise??? Don't know...

...L.A. Mayor Jim Hahn is all in favor of this \$100 million bond package, but the *L.A. Times* is urging caution. The timing couldn't be worse with L.A. City facing what appears to be a growing momentum toward secession from the San Fernando Valley. \$100 million more in bond indebtedness isn't needed at this time – but these developers don't care about secession. It's not on their radar screens...

...The *Bring the NFL Back to L.A.* proposal is not without critics, who say downtown L.A. next to Staples Center is not a good location for a new football stadium. It would only be used 8-10 times per year at most. "Truth is, the NFL needs L.A. more than L.A. needs a pro team," one **Calpeek** source said. The big question: the last time the NFL came a calling and asked L.A. to fork over some big bucks, former L.A. Councilwoman (and now City Controller) Laura Chick was very much opposed – unless there was a vote on using public funds. So where is L.A. City Controller Chick now? Why is she MIA??? Should the \$100 million bond to help Roski, Wasserman & Co. be put on the ballot? Stay tuned...

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CAMPAIGN 2002: NEW POLL SHOWS VALLEY CITY SUPPORTED BY 49% THROUGHOUT CITY OF L.A.

Editor's note: Four days after the Local Agency Formation Commission (LAFCO) voted 8-1 to put the question of cityhood for the San Fernando Valley on the Nov. 5th ballot, a new poll was released by KABC-TV *Eyewitness News* which showed support for Valley secession stands at 49% throughout the entire City of Los Angeles. Here's our update & analysis...

... The KABC-TV poll was taken by Survey USA and it's not good news for those opposed to Valley secession (read that as L.A. Mayor Jim Hahn & Company). Last time KABC-TV polled on this question, L.A. City's support for secession stood at **43%**. Support for secession among voters in the San Fernando Valley continues at **59%** - same as before. In order to form a separate city, voters in both the Valley as well as the entire city of L.A. must approve the divorce...

... In addition to the cityhood question (plus the question of what to name this new city) there will be a vote for a mayor and 14 councilmembers. The filing for mayor and council begins July 15th and that's when we'll know who the serious candidates are. The big questions remains whether L.A. City Councilmembers Dennis Zine, Alex Padilla and Wendy Greuel will file for Valley seats. All three represent big hunks of the Valley. Sources say Padilla and Greuel are not leaning in that direction, but there have been some mixed signals from Zine...

...Meanwhile. Valley secessionists have formed **San Fernando Valley Independence Committee (SFVIC)**. Members of this grassroots, political campaign committee include Richard Katz, chair; Jeff Brain; Richard Close; Marie Harris; and Lynn Rinke. The key difference between this group and *Valley Vote* is that *Valley Vote* is an educational committee and thus contributions don't have to be disclosed. SFVIC will work directly with Goddard Claussen/Porter Novelli (campaign mgr.) in the campaign. The key question: can SFVIC raise a credible campaign war chest???

...The daily **anti-secession** campaign under the leadership of Mayor Hahn, *L.A. United*, with savvy pro Kam Kuwata as the manager, is just getting its act together – not fast enough in the view of some *Calpeek* critics. What critics sometimes forget is that *Valley Vote* has been in a high campaign mode for the last 2 years – and has been around for about 6 years. *L.A. United* is just weeks old. One of their first efforts was Hahn's announcement that former L.A. Mayor Richard Riordan, former Assembly Speaker and Hahn rival Antonio

Villaraigosa, former U.S. Sec. of State and prominent L.A. attorney Warren Christopher, U.S. Rep. Xavier Becerra; and businessman and former Hahn rival Steve Soboroff have all joined the anti-secession drive. Question: why was L.A. City Atty. Rocky Delgadillo not included???

...FYI: On June 5th LAFCO will vote on whether to place a cityhood proposal for Hollywood on the November ballot. LAFCO's executive director Larry Calemine disagrees with CA Controller Kathleen Connell(D) and says Hollywood would be fiscally sound as a separate city. Best bet is that the full commission will place Hollywood on the ballot with the Valley. However, unlike the Valley, secession in Hollywood is a *relatively new movement* and Calpeek sources suspect that aside from a relatively small, but vocal group of activists there isn't that much support for a separate city. More next week. Stay tuned...

CAMPAIGN 2002: SOURCES SAY SB 300 TO BAN PAY-TO-PLAY DOESN'T COVER USE OF PRIVATE PHONES

Editor's note: Here's an update on State Sen. Bruce McPherson's SB 300 to ban what's known as *pay-to-play* in the State Capitol or in State offices...

...Pay-to-play is a hot issue right now because of the controversy surrounding Gov. Gray Davis' fundraising tactics. He's a voracious fundraiser and several weeks ago CTA's President Wayne Johnson went public with an allegation that during a meeting in the governor's office (to discuss policy), Davis asked the CTA to contribute \$1 million to the governor's reelection campaign. That set off Davis' GOP rival Bill Simon Jr. + every GOP wannabe in Calif., including McPherson, who is running an uphill battle against incumbent Lt. Gov. Cruz Bustamante(D)...

...McPherson, with GOP Sec. of State Bill Jones as sponsor, has introduced SB 300 to close a loophole which now permits elected officials to solicit campaign contributions while in their State Capitol office. However, it is against the law to actually receive a contribution in the State Capitol. Solicitation of contributions in the State Capitol is *widespread* – so in that respect Gov. Davis is **not** doing anything which others haven't done before...

...In fact, many legislators (from both parties) as well as Statewide elected officials, have *private phones* in their State Capitol offices (paid for with campaign contributions) so that they can make fundraising and campaign calls without using State phones. This is completely legal and this practice will remain in effect because the McPherson and Jones legislation won't ban the use of private phones in the Capitol. Sources tell Calpeek that had McPherson's bill

banned the use of private phones, it would have been the poison pill to kill SB 300. FYI: As reported in the *Contra Costa Times*, McPherson has a private phone...

...So what's the difference between using a private phone in the State Capitol to raise money AND an in-person request for a contribution from inside the Capitol? Some say there's *no real difference* and therefore the Jones and McPherson legislation ought to be dumped. McPherson's argument is that the in-person request from inside the State Capitol is a very intimidating experience and ought to be banned. Stay tuned...

PART 2: ENERGY & POLITICS – WAS DAVIS SLOW ON THE TRIGGER TO TACKLE CALIF.'S ENERGY CRISIS?

Editor's note: Throughout the primary of *Campaign 2002*, Gov. Gray Davis(D) came under a heavy attack from his 3 GOP gubernatorial rivals of his handling (or mishandling) of Calif.'s *energy crisis*. Given what we now know about the market manipulation, these attacks were way off base. But at the time they did seem to have an impact. Here's Part II of our continuing series on Energy & Politics...

...Last week *Calpeek* ventured back to May-June of 2000 when the energy crisis first erupted in San Diego. Many months later during the primary campaign, former L.A. Mayor Richard Riordan summed up the chief complaint against Gov. Davis: that he waited too long before taking steps to solve the crisis. As Riordan put it, "*Davis had a two step process to handle the crisis: step one: no action; and step two: over reaction.*"...

...So why didn't Gov. Davis act in the summer of 2000? Couple of answers: 1) There were some short term solutions to help San Diego cope with high energy prices, but the rest of Calif. was still under the 1995 PUC "deregulation plan" and thus rolling blackouts didn't occur until later; 2) Davis was pre-occupied with the DNC convention in L.A. (8/14/00); and 3) sources say he did in fact contact the Clinton White House for assistance and our sources say C/G told Davis he would get help after the November election. After the election there was some hand wringing at the Clinton WH, but very little was actually done to help Calif., especially with the skyrocketing power prices, much to Davis' displeasure. In other words, our source thinks that Clinton/Gore were blowing smoke up Davis' tail pipe...

...By the beginning of 2001, the IOUs (PG&E, SCE and SDG&E) were running out of cash to buy power. It was at this time that Davis and others (including State Treas. Phil Angelides) began to formulate plans to have the Dept. of Water Resources (and eventually a CA Power Authority)

to step in to buy power for the cash-strapped IOUs. Davis' GOP opponents didn't like this idea at all – Bill Simon Jr. favored a *free market approach*. Had Davis followed the free market approach, he'd be 30-points down to Simon in the polls right now, with no chance of winning Nov. 5th...

...In addition to the CPA, Davis and his energy team bought 38 long-term energy contracts worth \$43 billion; launched a successful electricity conservation program; and several new power plants came on line prior to the summer. And in the Spring of 2001, the Demos took control of the U.S. Senate and they launched an inquiry into the skyrocketing energy prices. That by itself may have influenced FERC to finally take some action by placing Federal price caps on power...

...And let's not forget, the summer of 2001 was mild – thus the system was not over strained. That was a lucky break for Davis. Was this over reaction, as Riordan put it? The long term contracts were excessive, but the State has re-negotiated with five firms, saving \$3.5 billion over the next ten years. Will the other power firms renegotiate? Given what we now know about market manipulation, there is a fair chance some of the other firms will renegotiate. Overall, Riordan's claim doesn't hold up, but for some reason the energy crisis and Davis' handling of it still seems to be the governor's most vulnerable spot. Stay tuned...

CALPEEK'S INFOBAHN: POLITICAL SHORT TAKES.

Editor's note: Here are a few items, political & otherwise, worth noting...

■ ***Chandra Levy's Murder*** – As *Calpeek* hit deadline last week, DC police got a break in the 13-month-old disappearance of missing intern Chandra Levy. A man walking his dog in Rock Creek Park found Levy's remains May 22nd way off the beaten path. The DC medical examiner ruled the death a homicide and the police have sent what remained of Levy's clothes to the FBI lab. Back on Jan. 7th in *Calpeek's* first issue of 2002 – in our Predictions and Pot Shots for 2002 – we said: *Police will get a break and will find the body of the missing intern who has caused Condit so much trouble. Evidence will point to a Dupont Circle serial killer, but this won't be enough to save Condit's job.* We still hold to the serial killer theory, although some cable talk show "experts" insist that Levy was murdered by someone she knew...

■ ***Parks to Run for L.A. Council*** – Former L.A.P.D. Chief Bernard Parks, who was dumped from his job by the L.A. Police Commission (with L.A. Mayor Jim Hahn's blessing) will run for L.A.'s 8th Council District in 2003. As political consultant Joe Cerrell said in the *L.A. Times*,

"Parks is as close to a slam dunk as you can get." In other words, bet your first born Parks wins. Parks' campaign will be directed by consultants Kerman Maddox (lead consultant), Rick Taylor (mail), Cynthia Corona (mail), and Linda Tibi will handle fundraising. Parks doesn't live in the 8th but will move there shortly. What this means is that Demo Assemblyman Rod Wright will have to make other plans because he can't win against Parks...

■ ***Riverside Co. Seeks Tax Hike for Roads*** – Voters in Riverside Co. will be asked to raise their local sales tax by ½ cent over 30 years to pay for in highway, street and other transportation projects. If approved, this local ballot measure will raise \$4.6 billion over the 30 years. The group spearheading the drive is called *Taxpayers for Traffic Relief*. Sacto-based Townsend, Raimundo et al will handle the campaign...

CALPEEK'S CALENDAR OF POLITICAL EVENTS

June 4	Long Beach muni runoff election.
June 21	55 th annual CA Broadcasters Assn. convention at Fairmont Miramar Hotel, Santa Monica.
June 27	Last day for initiatives to qualify for November 2002 general election ballot.
July 28-30	DLC Nat'l Conversation 2002, Hilton New York Hotel, NYC
July 31	State campaign reports due.
Aug. 31	Final day of CA Legislative session for 2002.
Sept. 27-29	CRP State Convention, Hayatt Regency, Anaheim, CA.
Sept. 30	Last day for Governor to sign bills.
Oct. 21	Last day to register for November election.
Nov. 5	Calif. General Election.

CALPEEK's NEW JOBS AND PERSONNEL NOTICES.

Editor's note: Here are some items to mark down in your notebook...

● David Herbst (a sr. vp at the MWW Group in L.A.) has been named to the L.A. City Rent Adjustment Commission by L.A. Mayor Hahn...

● Alice Travis Germond has been elected Secretary of the DNC. Germond replaces Sec. Kathy Vick...

● L.A. Times vet Fred Muir has joined the L.A. office of Fleishman-Hillard as a sr. vp in the public affairs dept. He was with the L.A. Times for 17 years, most recently as entertainment editor in the paper's business section...

● Gov. Davis has appointed John Clark Kelso as the Chief Deputy and interim director of the Dept. of Information Technology (DOIT)...